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26 June 1973

MEMORANDUM FOR: Director (Designate) of Central Intelligence

SUBJECT : Annual MAG Report

1. As an office head, I have received the annual report of MAG activities and suggestions. I am impressed by the wide range of subjects covered by MAG and it is easy to see why MAG has developed the reputation for being a constructive force in the Agency. I have two concerns, however.

2. The first relates to the MAG paper addressed to you as Executive Director-Comptroller last September concerning the credit union. In the annual report, this--like other MAG papers--stands alone, without context and with no sign of reaction or counterpoint. As drafted (very poorly and irresponsibly I think), the paper alleges "cronyism" among the credit union's board of directors, speaks of "possible breaches of trust" and flatly states the credit union to be a "creature" of the Office of Personnel.

3. As a member of the board of directors, I resent this paper and believe the MAG report should be amended to show its fallaciousness and to show the action you and the board took to put the matter to rest. I did not volunteer for nor otherwise seek to become a member of the board. But when I was asked I was glad to. It is one way to "pay dues" for having the privilege of being an Agency employee and of being able to represent fellow employees in matters of common interest. There is no remuneration or pay-off in it. I do not expect any and I must contest allegations to the contrary. Credit union performance, on its face, does not warrant the kind of charges made in the MAG paper, which has now received fairly wide circulation.

4. My second concern relates to organizational health. It is a fine thing to see that MAG is kept well-informed on major issues confronted by the Agency's top management. And it is equally fine to see that MAG is invited to be innovative in coming up with fresh advice and proposals for management. This is obviously worth continuation. But I think it needs to be matched with an equal effort to get more creative thinking and flexible innovation out of the Agency's line management. Office heads are living in a pervasively restrictive and negative environment. The lid is on; many new ideas cost money. Changes, when they come, tend to be imposed from the top. Consultation with line officers is not usually

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the norm. Under these circumstances, the tendency is for the office head to lie low and show minimum initiative. He grows increasingly timid in the face of requirements that he explain and justify most of his decisions. He is particularly prone to avoid movement when he is uncertain of policy and when he does not know the nature of the key issues bugging top management. I am convinced that most of the Agency's bosses at office level are sufficiently competent to provide you with strong underpinning given the chance. I believe you stand to gain a great deal by using your line to create and orchestrate as you now use MAG

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E. H. KNOCHE

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